

## Message Text

UNCLASSIFIED

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53

ACTION COME-00

INFO OCT-01 AF-08 ISO-00 EB-07 /016 W

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R 160958Z JUL 76

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 4931

INFO AMCONSUL JOHANNESBURG

UNCLAS PRETORIA 3151

E.O. 11652: N/A

TAGS: BENC, SF, ENRG

SUBJ: MAJOR PROJECT: ISCOR DIRECT REDUCTION PLANT

REF: STATE 172564; JOHANNESBURG 1142

1. DURING MEETING AT ISCOR JULY 15 WE WERE TOLD THAT DIRECT  
REDUCTION PLANT IS STILL HIGHEST PRIORITY NEW PROJECT  
ALTHOUGH MAIN FUNDING MUST AWAIT COMPLETION OF EXISTING CAPITAL  
PROJECTS. ACCORDINGLY, CALL FOR TENDERS ORIGINALLY CON-  
TEMPLATED OCTOBER HAS BEEN DELAYED.

2. PLANT IS SCHEDULED TO BE COMMISSIONED MARCH 1980 WITH  
CONSTRUCTION TIME OF ABOUT TWO YEARS. FUNDING PROJECTION OF  
R140 MILLION (ONE RAND EQUALS (\$1.15) DIVIDED AS FOLLOWS:  
1977 R6 MILLION; FIRST HALF 1978 R12 MILLION; SECOND HALF  
1978 R 27 MILLION; FIRST HALF 1979 R44 MILLION; SECOND HALF  
1979 R 47 MILLION.

3. ISCOR OFFICIAL INDICATED MIDREX SYSTEM FAVORED OVER EUROPEAN  
COMPETITORS.

4. IN COURSE OF MEETING, ISCOR EXPLAINED DECISION  
TO IMPORT 500,000 TONS OF US COKING COAL REPORTED PROVIOUSLY.  
INFERIOR QUALITY OF DOMESTIC COKING COAL WHICH HERETOFORE  
SUPPLIED ALL ISCOR'S IRON- MAKING NEEDS HAS RESULTED IN  
LOW EFFICIENCY OF BLAST FURNACES. TESTS WILL SMALL SAMPLE  
OF HIGH QUALITY RHODESIAN COKING COAL SHOWED IMPROVEMENT OF  
15 PERCENT IN IRON OUTPUT. ISCOR CALCULATES THAT EVEN AT  
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MUCH HIGHER DELIVERED PRICE (R70 FOR US COAL VS. R17 FOR

SOUTH AFRICAN) AN INCREASED OUTPUT OF 12 PERCENT WOULD JUSTIFY  
USE OF IMPORTED COAL. ISCOR CONTRACT TEAM HAS JUST LEFT FOR  
US FOR MEETINGS WITH NUMBER OF AMERICAN FIRMS THAT HAVE  
TENDERED.  
BOWDLER

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PROGRAMS (PROJECTS), INDUSTRIAL PLANTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 JUL 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976PRETOR03151  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760275-0445  
**From:** PRETORIA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760750/aaaabrto.tel  
**Line Count:** 66  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION COME  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 172564, 76 JOHANNESBURG 1142  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** vogelfj  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 MAR 2004 by ThomasVJ>; APPROVED <28 JAN 2005 by vogelfj>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MAJOR PROJECT: ISCOR DIRECT REDUCTION PLANT  
**TAGS:** BENC, ENRG, SF  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006